

Viatical Settlement Information Packet



Kentucky Office of Insurance Life Division





ENVIRONMENTAL AND PUBLIC PROTECTION CABINET

Ernie Fletcher
Governor

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LaJuana S. Wilcher
Secretary

October 4, 2005

Dear Viatical Settlement Provider or Broker:

The information contained in this packet has been developed for your convenience.

Any form that you will use, including advertising, in a viatical settlement transaction shall be filed with and approved by the Kentucky Office of Insurance Life Division prior to use. Included in this packet are the required documents and instructions to complete a form filing.

806 KAR 15:050 Section 9 requires that on or before March 1 of each year, the licensed viatical settlement provider and broker shall submit annual reports detailing their activity for the previous calendar year. These reports and instructions for completing the forms are included in this packet. A viatical settlement provider is required to submit forms VS 001, VS 002, VS 003 and VS 006 (provider portion). A viatical settlement broker is required to submit forms VS 004, VS 005, and VS 006 (broker portion).

A copy of the viatical settlement disclosure Form VS 007 and the "Kentucky Consumer Guide to Understanding Viaticals" is required to be given to a viator in accordance with 806 KAR 15:050 Section 7. Copies of both of these documents are included in this packet.

We hope this packet will be helpful. If you have any questions, please contact the Kentucky Office of Insurance Life Division at 502-564-6071.

Kentucky Office of Insurance
Life Division

Introduction

The Kentucky Office of Insurance, Life Division, must approve all forms including advertising used by a viatical settlement provider or broker to effectuate a viatical settlement transaction. This approval must be received prior to use of the forms in the Commonwealth. KRS 304.14-120 (2) requires that filings shall be submitted not less than 60 days prior to use to allow for appropriate time for review.

Statutes and Regulations that apply to viatical settlement forms:

KRS 304.12-010
KRS 304.15-020
KRS 304.15-700 through KRS 304.15-725
KRS 304.47
KRS 417.050
806 KAR 4:010
806 KAR 12
806 KAR 14:005
806 KAR 15:050

Requirements for a filing:

- 1) Face Sheet and Verification Form, F-1 LIFE (04/02) in duplicate with filing (a copy is included in this packet along with instructions for completion)
- 2) Filing fee
- 3) Cover letter explaining the forms that are being submitted for approval
- 4) Flesch score certification
- 5) Forms being submitted for approval
- 6) In order to have copies of any of the above forms returned to you, include a self-addressed, stamped envelope and a duplicate copy of the form(s) you would like returned.

Kentucky Required Forms

Kentucky utilizes several forms in the review of filings. The next pages describe the forms with examples of the forms in their final format. Included are forms that you may copy for use by your organization or you may access the forms electronically from our Web site at <http://doi.ppr.ky.gov/kentucky/>

Kentucky F-1 LIFE (REVISED 4/2002) Form & Instructions

Below are the instructions for completing the F-1 Life (04/02) form required with all viatical settlement filings submitted to the Life Insurance Division for review. A form has been provided so that you may make copies for use or you may download the form from our Web site to allow electronic completion.

Life F-1 Instructions for Viatical Settlements

The numbers correspond with the numbers on the attached example of the form.

- 1) Insert the date of your cover letter.
- 2) Insert the Federal Tax ID number of the Broker or Provider requesting approval of the filing.
- 3) NAIC number does not apply to Viatical Settlement Brokers/Providers.
- 4) Insert the name of the Viatical Settlement Broker/Provider.
- 5) Insert the mailing address of the Viatical Settlement Broker/Provider.
- 6) Insert the phone number and extension of the contact person for the Viatical Settlement Broker/Provider.
- 7) Insert the toll-free number of the Viatical Settlement Broker/Provider, if available.
- 8) Insert the fax number of the Viatical Settlement Broker/Provider.
- 9) Insert the name of the Viatical Settlement Broker/Provider responsible for this filing or the name of the consulting firm if the filing is being filed on behalf of the Viatical Settlement Broker/Provider.
- 10) Insert the name of the person to contact concerning this filing (either company contact or consulting firm contact).
- 11) Enter the e-mail address of the filing contact person.
- 12) Certification does not apply to Viatical Settlement Brokers/Providers.
- 13) Viatical Brokers/Providers must check this box for all viatical form filings.
- 14) Advertising/Correspondence does not apply to Viatical Settlement Brokers/Providers.
- 15) Domiciliary state fee does not apply to Viatical Settlement Brokers/Providers.
- 16) Kentucky requires a filing to be accompanied with a filing fee. Indicate amount submitted with filing on this line.

- 17) Place a check mark in the appropriate box for the product type. Viatical Settlement Brokers/Providers should check the “Viatical Settlement(A)” box.
- 18) Insert each form number that is being submitted in the filing.
- 19) Identify what type of form is being submitted. (i.e. Application, Contract, Advertising, etc.)
- 20) Indicate whether this is a new form or replacing a previously approved form.
- 21) Insert the previously approved form number.
- 22) Insert the date of approval for the previously approved form.
- 23) Insert the DOI File Control Number of the previously approved form, if available.
- 24) Insert the Flesch Score for the form for which approval is being requested.
- 25) Have the company authorized representative sign.
- 26) Insert the date of authorized representative’s signature.
- 27) Print the name of the Viatical Settlement Broker/Provider authorized representative.
- 28) Print the title of the Viatical Settlement Broker/Provider authorized representative.
- 29) Signature of the person who prepared the filing.
- 30) Insert the date of the preparer’s signature.
- 31) Print the name of the person preparing the filing.

**COMMONWEALTH OF KENTUCKY
DEPARTMENT OF INSURANCE
LIFE DIVISION
FACE SHEET AND VERIFICATION FORM**

FORM(S) LISTING SHEET

INSURER NAME _____ **NAIC NO.** _____

FORM(S) NUMBER	DOCUMENT TYPE (i.e. Application/ Rider/ Endorsement)	*R/N	**PREVIOUS FORM(S) NO. (ONLY IF REPLACING A FORM)	**APPROVAL DATE OF PREVIOUS FORM(S)	**DOI NO. OF PREVIOUS APPROVED FORM(S) (IF KNOWN)	Flesch Score
(18)	(19)	(20)	(21)	(22)	(23)	(24)

*R or N: (R=REPLACEMENT FORM; N=NEW FORM)

**ONLY FILL OUT INFORMATION ABOUT PREVIOUS FILING IF REPLACING A FORM

POLICY FORMS FILING

I have reviewed or supervised the preparation of the above form(s) and certify that the form(s) comply with all of the applicable requirements of the Kentucky Revised Statutes and regulations. I also acknowledge responsibility for the validity, accuracy and completeness of the contents of the letter of transmittal and enclosures with this filing.

I understand that the Commissioner of Insurance may at any time review the form(s) submitted and disapprove any form(s) not in compliance with the statutes and regulations.

SIGNATURE OF PERSON WHOM AUTHORIZED THE FILING _____ DATE _____

PRINT NAME _____ TITLE _____

SIGNATURE OF PERSON WHOM COMPLETED THE FILING _____ DATE _____

PRINT NAME _____

Kentucky Viatical Reporting Forms

There are eight reporting forms that must be used in Kentucky for Viatical/Life Settlement business. Below are the instructions and examples of each form. Please remember that the reporting is due by March 1st of each year regardless of whether or not you did business. If you are licensed, you are required to complete the reporting process annually.

VS 001 (8/2005) – Viatical Settlement Provider Report *Kentucky Viators Only*

NOTE: This form must be accompanied by form VS 006-"Viatical Settlement Provider/Broker Certification Form"

- 1) List the settlement number, case number or unique identifying number used to identify the specific viatical settlement transaction.
- 2) List the date of the viatical settlement contract.
- 3) List any riders that are a part of the insurance policy being viaticated (i.e. guaranteed insurability, additional indemnity, accidental death, waiver of premium, waiver of monthly deduction, child riders, spouse riders, etc.) The left side of the column should be used to indicate the type of rider. The right side should be used to indicate any dollar amount associated with the rider. The form is designed to accommodate five riders. Use additional space if necessary.
- 4) List the cash value at the time of contract for the policy being viaticated.
- 5) If the policy being viaticated is a Universal Life policy, indicate if option A or B was in force at time of contract.
- 6) Indicate the amount (in dollars) of any outstanding loans at time of contract against the policy being viaticated.
- 7) List the net amount (in dollars) being viaticated.
- 8) List the age (in years) of the person insured by the policy being viaticated.
- 9) List the life expectancy (in months) of the insured individual at the time of the viatical settlement contract.
- 10) List the amount of annual premium (in dollars).
- 11) Indicate if the policy was on waiver of premium or waiver of monthly deduction at time of contract.
- 12) List the net amount (in dollars) paid to the viator.
- 13) Identify whether the policy was an individual policy (I) or a group policy (G).
- 14) List the type of funding for the transaction. "F" for a licensed financial institution (policies collateralized). "P" for private (purchaser) funding and "I" for internal funding.
- 15) Indicate the purchase source of the policy. Use "B" for viatical settlement broker, "D" for direct from the viator or "SM" for a secondary market or viatical settlement provider.
- 16) List the amount of commission(s) (in dollars) paid to all viatical settlement brokers involved in the transaction.
- 17) List the net death benefit (in dollars) at the time of contract for the policy.
- 18) List the name of the Viatical Settlement Broker (if any) involved in the viatical settlement transaction.

Viatical Settlement Provider Report

Calendar year

Viatical Settlement Provider's Name

Kentucky Viators Only

200_____

[illegible]

VS 002 (4/2001) – Individual Mortality Report – Kentucky Insureds Only

NOTE: This form must be accompanied by form VS 006-"Viatical Settlement Provider/Broker Certification Form"

- 1) List the settlement number, case number, or unique identifying number used to identify the specific viatical settlement transactions.
- 2) List the date of the viatical settlement contract.
- 3) List the life expectancy (in months) of the insured individual at the time of the viatical settlement contract.
- 4) List the "Net" amount paid to the viator.
- 5) Indicate the insured's date of death.
- 6) List the total amount of premiums (in dollars) required to be paid to the insurer to maintain the policy from the date of viatication to the date of death.
- 7) List the total death benefit collected from the insurer.
- 8) List the number of months between the date of contract and the insured's date of death.
- 9) List the number of months between the life expectancy of the insured at the time of contract and the insured's date of death. This should be noted as a plus (+) figure if the insured died after the estimated life expectancy or a minus (-) if the insured died prior to the estimated life expectancy.

Kentucky Insureds Only

200__

1

2

3

4

5

6

7

8

9

Settlement Number

Contract date

Life Expectancy at
time of contract

Net Amount paid to
viator

Date of death

Total premiums paid to maintain policy

Death Benefit collected

Number of months
between date of
contract and date of
deathNumber of months
between life
expectancy at
contract date and
date of death (+ / -)

VS 003 (4/2001) – Viatical Settlement Provider Report – All States and Territories

NOTE: This form must be accompanied by form VS 006-"Viatical Settlement Provider/Broker Certification Form"

- 1) Indicate (Y or N) all the states and territories where you are currently doing business.
- 2) For that state or territory, indicate the total number of policies reviewed for consideration for that state or territory.
- 3) For the state or territory, indicate the total number of policies where an offer was made.
- 4) For that state or territory, indicate the total number of policies where an offer was refused.
- 5) For that state or territory, indicate the total number of policies purchased.
- 6) List the total aggregate face amount of the policies viaticated in that state or territory.
- 7) List the total aggregate amount paid to viators in that state or territory.
- 8) List the total number of policies purchased and/or sold in the secondary market for that state or territory.

	1	2	3	4	5	6	7	8				1	2	3	4	5	6	7	8	
States	Are you doing business in this state? (Y/N)	Total number of policies reviewed for consideration.	Total number of policies where an offer was made.	Total number of policies where an offer was not made.	Total number of policies purchased.	Aggregate face amount.	Aggregate amount paid to viators.	Secondary market transactions		States	Are you doing business in this state? (Y/N)	Total number of policies reviewed for consideration.	Total number of policies where an offer was made.	Total number of policies where an offer was not made.	Total number of policies purchased.	Aggregate face amount.	Aggregate amount paid to viators.	Secondary market transactions	pur	sold
								pur	sold											
Alabama										New Jersey										
Alaska										New Mexico										
Arizona										New York										
Arkansas										North Carolina										
California										North Dakota										
Colorado										Ohio										
Connecticut										Oklahoma										
Delaware										Oregon										
Dist. of Columbia										Pennsylvania										
Florida										Rhode Island										
Georgia										South Carolina										
Hawaii										South Dakota										
Idaho										Tennessee										
Illinois										Texas										
Indiana										Utah										
Iowa										Vermont										
Kansas										Virginia										
Kentucky										Washington										
Louisiana										West Virginia										
Maine										Wisconsin										
Maryland										Wyoming										
Massachusetts										American Samoa										
Michigan										Guam										
Minnesota										Puerto Rico										
Mississippi										U.S Virgin Islands										
Missouri										Canada										
Montana																				
Nebraska																				
Nevada																				
New Hampshire																				

VS 004 (4/2001) – Viatical Settlement Broker report – Kentucky Insureds Only

NOTE: This form must be accompanied by form VS 006-"Viatical Settlement Provider/Broker Certification Form"

- 1) List the settlement number, case number or unique identifying number used to identify the specific viatical settlement transaction.
- 2) List the date of the viatical settlement contract.
- 3) List any riders that are a part of the insurance policy being viaticated (i.e. guaranteed insurability, additional indemnity, accidental death, waiver of premium, waiver of monthly deduction, child riders, spouse riders, etc.) The left side of the column should be used to indicate the type of rider. The right side should be used to indicate any dollar amount associated with the rider. The form is designed to accommodate five riders. Use additional space if necessary.
- 4) List the cash value of the policy being viaticated at time of contract.
- 5) If the policy being viaticated is a Universal Life policy, indicate if option A or B was in force at time of contract.
- 6) Indicate the amount (in dollars) at the time of contract for any outstanding loans against the policy being viaticated.
- 7) List the net amount (in dollars) being viaticated.
- 8) List the age (in years) of the person insured by the policy being viaticated.
- 9) List the life expectancy (in months) of the insured individual at the time of the viatical settlement contract.
- 10) List the amount of annual premium (in dollars).
- 11) Indicate if the policy was on waiver of premium or waiver of monthly deduction at time of contract.
- 12) List the net amount (in dollars) paid to the viator.
- 13) Identify whether the policy was an individual policy (I) or a group policy (G).
- 14) List the amount of commission(s) (in dollars) paid to all viatical settlement brokers involved in the transaction.
- 15) List the net death benefit (in dollars) of the policy at time of contract.
- 16) List the name of the Viatical Settlement Provider involved in the viatical settlement transaction.

Viatical Settlement Broker Report

Kentucky Insureds Only

Calendar Year

200__

Viatical Settlement Broker's Name

1	2	3		4	5	6	7	8	9	10	11	12	13	14	15	16
Settlement Number	Contract date	Riders		Cash Value (\$)	If UL (option A or B)	Loans (\$)	Net amount to be viaticated (\$)	Age of insured	Life expectancy	Annual premium (\$)	Waiver of premium or monthly deduction	Net Amount paid to viator (\$)	Policy type: L or G	Commission Amount (\$)	Net death benefit (\$)	Viatical Settlement Provider's name
		Type	Dollar Amount													

VS 005 (4/2001) – Viatical Settlement Broker Reporting Form – All States and Territories

NOTE: This form must be accompanied by form VS 006-"Viatical Settlement Provider/Broker Certification Form"

- 1) Indicate (Y or N) to all the states and territories where you are currently doing business.
- 2) Indicate the total number of policies you reviewed for consideration for that state or territory.
- 3) Indicate the total number of policies you represented for viatication in that state or territory.
- 4) Indicate the total number of policies you refused to represent for that state or territory.
- 5) Total number of policies sold to a provider.
- 6) List the total aggregate face amount of the policies you transacted for viatication in that state or territory.
- 7) Regarding transactions where you functioned as a broker, list the total aggregate amount paid to viators in that state or territory.

Viatical Settlement Broker Report

Calendar Year

All States and Territories

Viatical Settlement Broker's Name

200

States	1	2	3	4	5	6	7	Secondary market transactions	
	Are you doing business in this state? (Y/N)	Total number of policies reviewed for consideration.	Total number of policies represented for viatication.	Total number of policies where representation was refused.	Total number of policies sold to a provider.	Aggregate face amount.	Aggregate amount paid to viators.	pur	sold
Alabama									
Alaska									
Arizona									
Arkansas									
California									
Colorado									
Connecticut									
Delaware									
Dist. of Columbia									
Florida									
Georgia									
Hawaii									
Idaho									
Illinois									
Indiana									
Iowa									
Kansas									
Kentucky									
Louisiana									
Maine									
Maryland									
Massachusetts									
Michigan									
Minnesota									
Mississippi									
Missouri									
Montana									
Nebraska									
Nevada									
New Hampshire									

States	1	2	3	4	5	6	7
	Are you doing business in this state? (Y/N)	Total number of policies reviewed for consideration.	Total number of policies represented for viatication.	Total number of policies where representation was refused.	Total number of policies sold to a provider.	Aggregate face amount.	Aggregate amount paid to viators.
New Jersey							
New Mexico							
New York							
North Carolina							
North Dakota							
Ohio							
Oklahoma							
Oregon							
Pennsylvania							
Rhode Island							
South Carolina							
South Dakota							
Tennessee							
Texas							
Utah							
Vermont							
Virginia							
Washington							
West Virginia							
Wisconsin							
Wyoming							
American Samoa							
Guam							
Puerto Rico							
U.S. Virgin Islands							
Canada							

Viatical Settlement Provider/Broker Certification Form

This section should be completed by Viatical Settlement Providers.

Please Check all forms submitted:

- ☐ Viatical Settlement Provider Reporting Form – Kentucky Insureds Only (VS 001)
- ☐ Individual Mortality Report – Kentucky Insureds Only (VS 002)
- ☐ Viatical Settlement Provider Reporting Form – All States and Territories

I hereby certify that the information contained in the report(s) indicated above is true and accurate. I acknowledge that providing false and misleading information in the report(s), or failing to divulge a fact material thereto, is sufficient grounds for administrative action by the Commissioner of the Kentucky Department of Insurance and potentially, applicable criminal penalties.

Signature of individual who prepared report(s) Date: ____/____/____

Print or type name

Signature of Authorized Representative Date: ____/____/____

Print or type name

This section should be completed by Viatical Settlement Brokers.

Please Check all forms submitted:

- ☐ Viatical Settlement Broker Reporting Form – *Kentucky Insureds Only* (VS 004)
- ☐ Viatical Settlement Broker Reporting Form – *All States and Territories* (VS 005)

I hereby certify that the information contained in the report(s) indicated above is true and accurate. I acknowledge that providing false and misleading information in the report(s), or failing to divulge a fact material thereto, is sufficient grounds for administrative action by the Commissioner of the Kentucky Department of Insurance and potentially, applicable criminal penalties.

Signature of individual who prepared report(s) Date: ____/____/____

Print or type name

Signature of Authorized Representative Date: ____/____/____

Print or type name

THE KENTUCKY VIATICAL SETTLEMENT DISCLOSURE FORM
NOTICE REGARDING VIATICAL SETTLEMENT CONTRACTS

NOTE: SELLING YOUR LIFE INSURANCE POLICY could be a good decision or a bad one. To make sure you understand the facts you should:

- 1) Know that there are possible alternatives to viatical settlement contracts for persons with catastrophic or life-threatening illnesses, including, but not limited to, accelerated benefits offered by the issuer of the life insurance policy.
- 2) The viatical settlement could be subject to the claims of creditors.
- 3) All medical, financial or personal information solicited or obtained by a viatical settlement provider or viatical settlement broker about an insured, including the insured's identity or the identity of family members, a spouse or a significant other may be disclosed as necessary to effect the viatical settlement between you and the viatical settlement provider. If asked to provide this information, you will be asked to consent to the disclosure. The information may be provided to someone who buys the policy or provides funds for the purchase. You may be asked to renew this permission to share information every two years.
- 4) Know that a viatical settlement provider shall not discriminate in making viatical settlements on the basis of race, age, sex, national origin, creed, religion, occupation, marital or family status.
- 5) Know that a viatical settlement provider shall not discriminate between a viator with a dependent and a viator with no dependent.
- 6) Some or all of the proceeds of the viatical settlement may be taxable, and that assistance should be sought from a personal tax advisor.
- 7) Receipt of a viatical settlement may adversely affect your eligibility for Medicaid or other government benefits or entitlements, and that advice should be obtained from the appropriate agency.
- 8) Viaticating a joint policy or policy with family riders or coverage of any life other than yours may cause a loss of coverage on the other lives and that you should consult with an insurance advisor.
- 9) Entering into a viatical settlement contract may cause other rights or benefits, including conversion rights and waiver of premium benefits that may exist under the policy or certificate, to be forfeited by you. Assistance should be sought from a financial adviser.
- 10) Know that the dollar amount of the current death benefit payable to the viatical settlement provider under the policy or certificate shall be disclosed to you. Also, the availability of any additional guaranteed insurance benefits, the dollar amount of any accidental death and dismemberment benefits under the policy or certificate and the viatical settlement provider's interest in those benefits shall also be disclosed to you. Be sure that you are aware of these additional riders and that they may provide more value to your policy.

11) You are entitled to know the name, address, and telephone number of the independent third-party trustee.
You may inspect and receive copies of the relevant trust, or escrow agreements, or other documents.

☐ **Yes, I am requesting this information.**

☐ **No, I do not want this information at the present time, however, I may request at a later date.**

12) You have the right to receive the amount and method of calculation of any fee, commission, or compensation to be paid the viatical settlement broker.

☐ **Yes, I am requesting this information.**

☐ **No, I do not want this information at the present time, however, I may request at a later date.**

13) You have the right to know the affiliation, if any between the viatical settlement provider and the issuer of the insurance policy to be viaticated.

☐ **Yes, I am requesting this information.**

☐ **No, I do not want this information at the present time, however, I may request at a later date.**

14) You should know that you have the right to rescind a viatical settlement contract within thirty (30) days of the date it is executed by all parties or within fifteen (15) days of the receipt of the viatical settlement proceeds by the viator, whichever is less, that the contract is rescinded if the insured dies within the rescission period.

15) The viatical settlement provider shall deposit the proceeds due you and any commissions due the viatical settlement broker with an independent third-party trustee within three (3) days of receipt of the contract signed by yourself. The independent third-party trustee shall mail proof of deposit within three (3) days of deposit, and that the funds will be available to you within two (2) business days of notification from the insurer of the effect of the transfer of ownership.

16) The provider is required to notify you within twenty (20) days of the change of ownership or beneficiary.

17) Know that within three (3) days of execution of the viatical settlement agreement, the viatical settlement provider shall mail to you copies of the following:

- a) The executed viatical settlement contract
- b) The application for the Viatical settlement contract
- c) The statement from the licensed attending physician that the viator is of sound mind and not under undue influence or constraint
- d) If the viator and insured are the same person, any medical report on the insured obtained by the provider

I hereby declare that I have read and understand the 17 disclosure statements listed above.

Printed Name of Viator

Signature of Viator

Date Signed

Printed Name of Viator

Signature of Viator

Date Signed

Caution: Please be sure that you have completed questions 11, 12 and 13.

Printed Name of Viatical Settlement Provider

Signature of Viatical Settlement Provider

Date Signed

Printed Name of Viatical Settlement Broker (if any)

Signature of Viatical Settlement Broker (if any)

Date Signed

Kentucky Consumer Guide to Understanding Viaticals



Commonwealth of Kentucky

Environmental and Public Protection Cabinet

**Governor Ernie Fletcher
Secretary LaJuana S. Wilcher**



Printed with state funds



Printed on recycled paper

Defining the terms

A **viatical settlement** (which includes life settlements) occurs when a person sells his or her life insurance policy to a third party. The owner of the policy sells the policy for a cash payment that is less than the full amount of the death benefit.

A **viatical settlement provider** is the person or company who buys the life insurance policy. The viatical settlement provider becomes the new owner and/or beneficiary of the policy, pays all future premiums and collects the death benefit when the insured dies.

A **viatical settlement purchase agreement** is the contract or agreement in which the viatical settlement buyer agrees to purchase all or a portion of the life insurance policy.

The **viatical settlement broker** arranges the deal between the seller of the life insurance policy and the viatical settlement buyer. The broker would typically use a viatical settlement purchase agreement.

The person selling the life insurance policy is the **viator**. He or she will get a cash payment from the settlement. This person gives up ownership of the policy in return for a cash payment less than the full amount of the death benefit.

Understanding viatical settlements

A viatical settlement is the sale of a life insurance policy to a third party. The owner of the life insurance policy sells it for a cash payment that is less than the full amount of the death benefit. The buyer becomes the new owner and/or beneficiary, pays all future premiums and collects the full amount of the death benefit when the insured dies.

Be sure you fully understand viatical settlements before you make any decisions.

People decide to sell their life insurance policies for many reasons. An individual with a terminal or chronic illness may sell a policy in order to

pay medical bills. Other reasons for selling may include changed needs of dependents, wanting to reduce premiums or needing to raise cash for expenses.

A viatical settlement may or may not be the right choice for you. The Kentucky Office of Insurance, along with the National Association of Insurance Commissioners, is concerned that many consumers may not fully understand viatical settlements. Please continue reading before making any decisions.

Kentucky Office of Insurance
P. O. Box 517
215 W. Main Street
Frankfort, KY 40601
Consumer Hotline: 800-595-6053
Life Division: 502-564-6071
¿Habla Español? Ext. 4358
TTY 800-462-2081
<http://doi.ppr.ky.gov/kentucky/>

Consumer alert

Be cautious if you are:

- ◆asked to invest in or buy a viatical settlement contract;
- ◆interested in selling your life insurance policy and want more information; or
- ◆contacted by someone who wants you to buy a life insurance policy and then immediately sell that policy as a viatical settlement transaction.

Consumer tips

- ◆ Understand how the process works and when the different phases will happen.
- ◆ Decide whether to sell your policy directly to a viatical settlement provider or go through a viatical settlement broker who will do the comparison shopping for you.
 - ◆ If you don't use a viatical settlement broker, comparison shop on your own.
 - ◆ You don't have to accept any viatical settlement offer.
 - ◆ Check all application forms for accuracy, especially information about your medical history.
- ◆ Be truthful in your answers to the application questions.
- ◆ Make sure the viatical settlement provider agrees to put your settlement proceeds in escrow with an independent third party custodial bank to make sure your funds are safe during transfer.
 - ◆ Find out if you have the right to change your mind about the viatical settlement offer after you get the money. In Kentucky, you have the right to stop the transaction within a certain period of time. If you decide not to continue with the deal, you will have to return the money you were paid and any premiums the buyer gave to the life insurance company.
 - ◆ Understand whether buyers may learn your identity when they buy your policy and whether they will know certain medical and personal information about you, such as your address and life expectancy.

Steps required by law in Kentucky

Kentucky law requires the following steps when you enter into a viatical settlement contract:

1. A written statement from a licensed attending physician that you are of sound mind and under no pressure to complete this transaction.
2. A witnessed document in which you:
 - a. *consent to the viatical settlement contract;*
 - b. *state that any catastrophic or life threatening illness was diagnosed after the policy was issued;*
 - c. *state that you fully understand the viatical settlement contract;*
 - d. *fully understand the benefits of your life insurance policy;*
 - e. *release your medical records;*
 - f. *acknowledge that you entered into the viatical settlement contract freely and voluntarily.*

Additional questions to consider

- Do I still need life insurance protection?
- If I sell my policy, how will they decide how much cash I get?
- If I sell my policy, will there be any costs I have to pay?
- If I sell my policy, will the money be put in an escrow account? If so, who will the escrow agent be?
- Is the viatical settlement broker licensed in Kentucky?
- Is my policy an employer or other group coverage? If so, do I need their permission to sell it?
- If I sell my policy, who will be the legal owner?
- Is the viatical settlement provider licensed in Kentucky?
- After I sell my policy, can the buyer resell it?

☒ Explore all your options: a checklist

Before you enter into any viatical settlement transaction, you should:

- ☐ Contact your life insurer to learn about all of your possible options under your policy, such as accelerated benefits. It could pay you a substantial portion of your policy's death benefit without selling your policy to a third party. Also ask if there is any cash value in your policy. You may be able to use some of the cash value to meet your immediate needs and keep your policy in force for your beneficiaries. You may also be able to use the cash value as security for a loan from a financial institution.
- ☐ Contact a licensed viatical settlement broker or licensed viatical settlement provider for information about viatical settlements.
- ☐ Consult with your own financial adviser who knows your personal financial needs. Be sure to ask about tax and other financial consequences if you sell your policy. Contact a professional tax adviser to find out the tax implications. Proceeds are only tax-free under certain circumstances.
- ☐ Contact the Kentucky Office of Insurance at 800-595-6053 for information about current laws that may protect you.

Other things to consider

- ☐ Know that your creditors could claim the proceeds.
- ☐ Find out if you will lose any Medicaid benefits.
- ☐ Find out if you will lose any public assistance benefits.
- ☐ Know that you must provide certain medical and personal information to third parties who will receive the proceeds from your policy upon your death. These third parties may sell your policy and pass along your medical and personal information to other individuals.

The Kentucky Office of Insurance does not discriminate on the basis of race, color, religion, sex, national origin, sexual orientation or gender identity, ancestry, age, disability or veteran status. The cabinet provides, upon request, reasonable accommodations and services necessary to afford an individual with a disability an equal opportunity to participate in all services, programs and activities. To request materials in an alternate format, contact the Office of Insurance, Communications Office, 215 W. Main St., P. O. Box 517, Frankfort, Kentucky 40602-0517 Voice (800) 595-6053; TTY (800) 462-2081; Hearing and speech-impaired persons can contact an agency by using the Kentucky Relay Service, a toll-free telecommunications service. For Voice to TTY call (800) 648-6057; for TTY to Voice, call (800) 648-6056; ¿Habla Español? call (800) 595-6053 Ext. 4358

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